

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

**RECEIVED**

GENERAL PURPOSE FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

MAY 27 2004

Year Ended March 31, 2004

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Gladwin	<b>County</b> Gladwin
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> April 26, 2004	<b>Date Accountant Report Submitted to State:</b> April 26, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

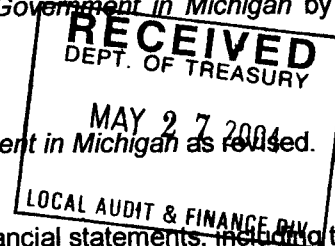
We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).



### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> <i>Campbell, Kusterer &amp; Co., P.C.</i>			



TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

April 26, 2004

To the Township Board  
Township of Gladwin  
Gladwin County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Gladwin, Gladwin County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Gladwin's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Gladwin, Gladwin County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Gladwin, Gladwin County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>
<u>Assets</u>			
Cash in bank	-	-	325 56
Investments	111 350 63	-	-
Taxes receivable	12 134 78	-	-
Due from other funds	325 56	-	-
Land	-	-	-
Buildings	-	-	-
Equipment	-	-	-
	<hr/>	<hr/>	<hr/>
Total Assets	<u>123 810 97</u>	<u>-</u>	<u>325 56</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Due to other funds	-	-	325 56
Total liabilities	<hr/>	<hr/>	<hr/>
	<u>-</u>	<u>-</u>	<u>325 56</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Fund balances:			
Unreserved:			
Undesignated	123 810 97	-	-
Total fund equity	<hr/>	<hr/>	<hr/>
	<u>123 810 97</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Equity	<hr/>	<hr/>	<hr/>
	<u>123 810 97</u>	<u>-</u>	<u>325 56</u>

The accompanying notes are an integral part of these financial statements.

<u>Account Group</u> <u>General</u> <u>Fixed Assets</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
-	325 56
-	111 350 63
-	12 134 78
-	325 56
16 127 77	16 127 77
41 343 20	41 343 20
<u>15 180 49</u>	<u>15 180 49</u>
<u>72 651 46</u>	<u>196 787 99</u>

<u>-</u>	<u>325 56</u>
<u>-</u>	<u>325 56</u>

72 651 46	72 651 46
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<u>-</u>	<u>123 810 97</u>
<u>72 651 46</u>	<u>196 462 43</u>

<u>72 651 46</u>	<u>196 787 99</u>
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TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B  
Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	18 314 19	19 966 15	38 280 34
Licenses and permits	132 00	-	132 00
State revenue sharing	75 783 00	-	75 783 00
Charges for services	12 195 00	-	12 195 00
Rents	1 140 00	-	1 140 00
Interest	631 42	-	631 42
Special assessments	44 038 00	-	44 038 00
Miscellaneous	<u>3 622 79</u>	<u>-</u>	<u>3 622 79</u>
Total revenues	<u>155 856 40</u>	<u>19 966 15</u>	<u>175 822 55</u>
Expenditures:			
Legislative:			
Township Board	8 632 23	-	8 632 23
General government:			
Supervisor	8 815 67	-	8 815 67
Elections	606 00	-	606 00
Assessor	5 887 50	-	5 887 50
Clerk	11 558 01	-	11 558 01
Board of Review	1 044 42	-	1 044 42
Treasurer	9 255 43	-	9 255 43
Township hall and grounds	3 076 15	-	3 076 15
Cemetery	17 223 55	-	17 223 55
Public safety:			
Fire protection	-	19 966 15	19 966 15
Public works:			
Roads	48 722 50	-	48 722 50
Sanitation	44 559 87	-	44 559 87
Other:			
Insurance	4 673 00	-	4 673 00
Capital outlay	<u>4 950 00</u>	<u>-</u>	<u>4 950 00</u>
Total expenditures	<u>169 004 33</u>	<u>19 966 15</u>	<u>188 970 48</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 2

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Excess (deficiency) of revenues over expenditures	(13 147 93)	-	(13 147 93)
Fund balances, April 1	<u>136 958 90</u>	<u>-</u>	<u>136 958 90</u>
Fund Balances, March 31	<u>123 810 97</u>	<u>-</u>	<u>123 810 97</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C  
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	7 961 85	18 314 19	10 352 34
Licenses and permits	40 00	132 00	92 00
State revenue sharing	77 869 71	75 783 00	(2 086 71)
Charges for services	8 500 00	12 195 00	3 695 00
Rents	700 00	1 140 00	440 00
Interest	700 00	631 42	(68 58)
Special assessments	54 300 00	44 038 00	(10 262 00)
Miscellaneous	971 43	3 622 79	2 651 36
Total revenues	<u>151 042 99</u>	<u>155 856 40</u>	<u>4 813 41</u>
Expenditures:			
Legislative:			
Township Board	9 401 68	8 632 23	(769 45)
General government:			
Supervisor	8 960 00	8 815 67	(144 33)
Elections	831 00	606 00	(225 00)
Assessor	5 887 50	5 887 50	-
Clerk	11 650 00	11 558 01	(91 99)
Board of Review	1 055 00	1 044 42	(10 58)
Treasurer	9 284 00	9 255 43	(28 57)
Township hall and grounds	6 070 00	3 076 15	(2 993 85)
Cemetery	18 148 00	17 223 55	(924 45)
Public safety:			
Fire protection	-	-	-
Public works:			
Roads	52 455 00	48 722 50	(3 732 50)
Sanitation	44 559 87	44 559 87	-
Other:			
Insurance	4 673 00	4 673 00	-
Contingency	97 714 65	-	(97 714 65)
Capital outlay	<u>5 000 00</u>	<u>4 950 00</u>	<u>(50 00)</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Total expenditures	<u>275 689 70</u>	<u>169 004 33</u>	<u>(106 685 37)</u>
Excess (deficiency) of revenues over expenditures	(124 646 71)	(13 147 93)	111 498 78
Fund balances, April 1	<u>124 646 71</u>	<u>136 958 90</u>	<u>12 312 19</u>
Fund Balances, March 31	<u>-</u>	<u>123 810 97</u>	<u>123 810 97</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>19 966 15</u>	<u>19 966 15</u>	<u>-</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Gladwin, Gladwin County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Gladwin. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific revenue sources which are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County delinquent tax rolls. The Township 2003 tax roll millage rate was 1.8722 mills and the taxable value was \$21,001,783.00.

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. Such assets are also capitalized in the General Fixed Assets Group of Accounts as required by the generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation or sick pay, and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.



TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>325 56</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	327 73
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>327 73</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
<u>Investment Type</u>				
Risk-Categorized: Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>111 350 63</u>
Total Investments				<u>111 350 63</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 3 – Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land	16 127 77	-	-	16 127 77
Buildings	36 393 20	4 950 00	-	41 343 20
Equipment	<u>15 180 49</u>	<u>-</u>	<u>-</u>	<u>15 180 49</u>
Totals	<u>67 701 46</u>	<u>4 950 00</u>	<u>-</u>	<u>72 651 46</u>

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>325 56</u>	Current Tax Collection	<u>325 56</u>

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township does not have a pension plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Gladwin does not issue building permits. Building permits are issued by the County of Gladwin.

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 1

Township Board:	
Wages	2 200 00
Dues	491 10
Printing and publishing	716 68
Payroll taxes	2 123 49
Miscellaneous	<u>3 100 96</u>
	<u>8 632 23</u>
Supervisor:	
Salary	4 500 00
Deputy – salary	200 00
Professional services	<u>4 115 67</u>
	<u>8 815 67</u>
Elections:	
Wages	<u>606 00</u>
Assessor:	
Contracted services	<u>5 887 50</u>
Clerk:	
Salary	8 500 00
Salary – cemetery clerk	2 500 00
Deputy – salary	200 00
Office supplies	<u>358 01</u>
	<u>11 558 01</u>
Board of Review:	
Wages	810 00
Miscellaneous	<u>234 42</u>
	<u>1 044 42</u>
Treasurer:	
Salary	8 284 00
Deputy – salary	200 00
Office supplies	<u>771 43</u>
	<u>9 255 43</u>
Township hall and grounds:	
Utilities	1 643 40
Contracted services	453 90
Repairs and maintenance	378 85
Miscellaneous	<u>600 00</u>
	<u>3 076 15</u>
Cemetery:	
Contracted services	<u>17 223 55</u>
Roads:	
Repairs and maintenance	<u>48 722 50</u>

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 2

Sanitation:	
Contracted services	<u>44 559 87</u>
Insurance	<u>4 673 00</u>
Capital outlay	<u>4 950 00</u>
Total Expenditures	<u><u>169 004 33</u></u>

TOWNSHIP OF GLADWIN  
Gladwin County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2004

EXHIBIT E

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in bank	<u>346 46</u>	<u>527 950 19</u>	<u>527 971 09</u>	<u>325 56</u>
Total Assets	<u>346 46</u>	<u>527 950 19</u>	<u>527 971 09</u>	<u>325 56</u>
<u>Liabilities</u>				
Due to other funds	<u>346 46</u>	<u>70 394 66</u>	<u>70 415 56</u>	<u>325 56</u>
Due to other units	<u>-</u>	<u>457 555 53</u>	<u>457 555 53</u>	<u>-</u>
Total Liabilities	<u>346 46</u>	<u>527 950 19</u>	<u>527 971 09</u>	<u>325 56</u>

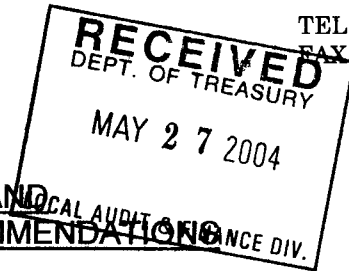
# CAMPBELL, KUSTERER & CO., P.C.

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

April 26, 2004

To the Township Board  
Township of Gladwin  
Gladwin County, Michigan

We have audited the financial statements of the Township of Gladwin, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Gladwin in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.



To the Township Board  
Township of Gladwin  
Gladwin County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Gladwin  
Gladwin County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Gladwin will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants